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# BOATING INDUSTRY

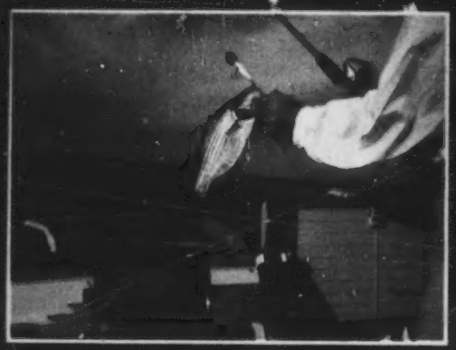
THE MANAGEMENT MAGAZINE OF THE BOATING INDUSTRY

JANUARY 1989

**What Dealers Should Stock**

**Say Hello To Cellular Phones**

**Dealers Of The Pacific**



## '89 Electronics

MD 20814
BETHESDA
4520 EAST WEST HWY 306
CONGRESS INFO SVC (#2) B
Z
J LONG 40
BIN6006906Z 1 8802

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# BOATING INDUSTRY

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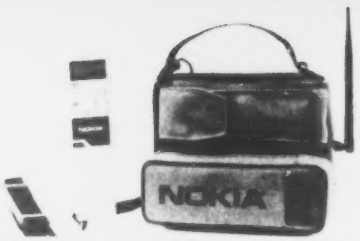


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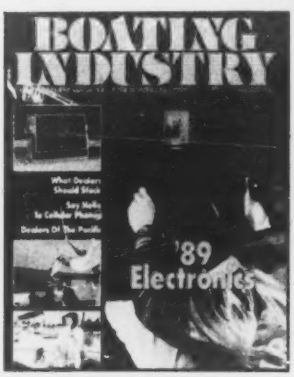
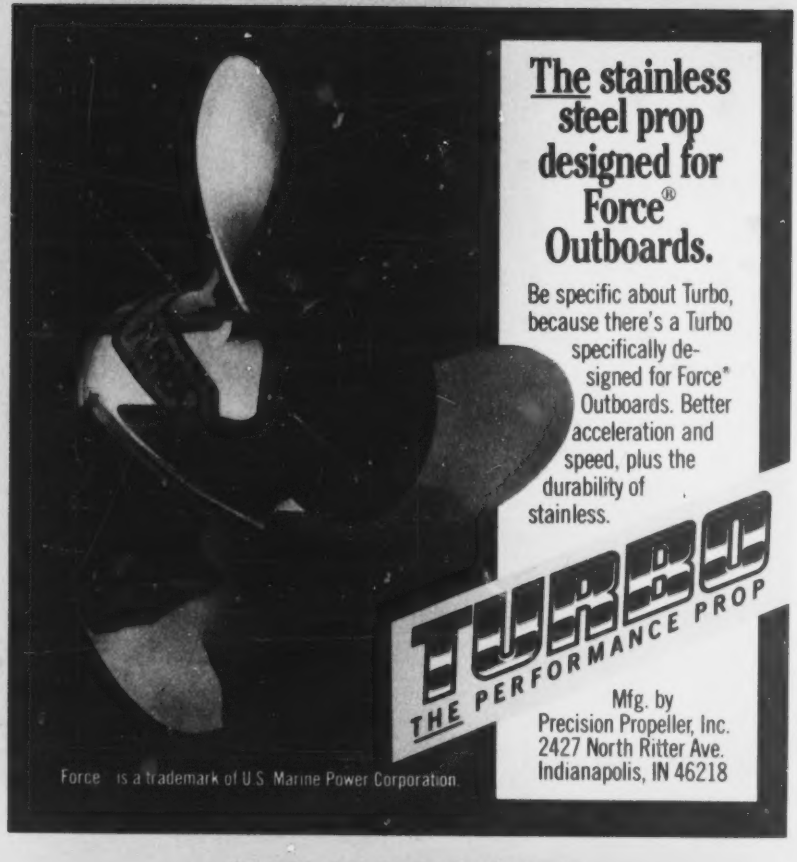



**Cover**

***The new year brings many new electronics to the industry. Pictured are fish-finders from Humminbird and Lowrance, a Si-Tex loran, and a cellular phone from McCaw Communications.***
PHOTO COURTESY OF HUMMINBIRD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Name of Dealership _____ Contact Person _____
Address _____
City _____ State _____ Zip _____
Phone ( ) _____
Boat Franchise _____ Size/Ft _____
Engine Franchise _____ OMC _____ MERC _____ Other _____
Primary Distributors 1. _____ 2. _____
Sales Volume in Accessories _____ under $10,000 _____ $50,000 to $100,000
_____ $100,000 or over

**BOATING INDUSTRY, INC.**
INCORPORATING MARINE BUSINESS
390 Fifth Ave., NY, NY 10018
(212) 613-9700

CHARLES A. JONES, *publisher/editor-in-chief*
CAROL FLEMING, *director sales administration*
CAROL REILLY, *advertising coordinator*

**Business Staff/Atlanta**
ELMER DALTON, *circulation director*
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CHARLOTTE SOUTTER, *promotion manager*
BRIAN BUXTON, *art director*
*6255 Barfield Rd.*
*Atlanta, GA 30328*
*(404) 256-9800*

**DISTRICT SALES OFFICES**
**Northeast**
JEAN TIGHE, *district manager*
BARBARA ROSENBLUM, *manager / special sales*
*390 Fifth Avenue*
*New York, NY 10018*
*(212) 613-9700*

**Southeast**
SUSAN LIFSHEY, *district manager*
5310 NW 33rd Ave., Suite 118
Fort Lauderdale, FL 33309-6319
(305) 739-3700

**Midwest**
LYLE HURD, *district manager*
KATHERINE HURD
DANA SHAUT
Hurd & Associates
333 N. Michigan Ave.
Chicago, IL 60601
(312) 726-6464

**West Coast**
SPENCER LONGSHORE, III, *president*
JOY LYN OLESON, *media developer*
JULIE COBB, *media developer*
The Longshore Group, Inc.
6830 LaJolla Blvd., Suite 203B
La Jolla, CA 92037
(619) 459-3234

**Southwest**
SPENCER H. LONGSHORE, III, *president*
RITA LANIER, *media developer*
The Longshore Group, Inc.
603 Martha St.
Montgomery, AL 36104
(205) 263-6050

**Canada**
DONALD C. FENN, JOHN MAGNER
Fenn Company Incorporated
P.O. Box 1060
148 King Road East
King City, Ontario LOG 1K0
(416) 833-6200

**Europe**
NICK HOPKINSON, ELFI FISCHER
Boating Communications, Ltd.
1 St. Johns Ct., St. Johns St., Farncombe
Surrey GU7 3BA
England Tel. (44 4868)25817 Telex 265871 MONREFG
(quote SQQ171 on 1st line)
Fax (44 483) 426235

BOATING INDUSTRY (ISSN 0006-5404) is published monthly by Communication Channels, Inc., Jerrold France, President, Buford Bryant, Treasurer, Lawrence Moores, Executive Vice President. Corporate offices at 6255 Barfield Road, Atlanta, GA 30328. Telephone 404-256-9800. BOATING INDUSTRY is a registered trademark of Communication Channels, Inc. © 1988 by Communication Channels, Inc. Second class postage paid at Atlanta, GA and at additional mailing offices. Subscription rates: U.S.A. one year $22; additional $20 for postage outside the U.S. January issue $5.00; Buyers' Guide $27.95; other issues $4.00. Address all subscription mail to Circulation Department, BOATING INDUSTRY, 6255 Barfield Road, Atlanta, GA 30328. The opinions expressed by authors and contributors to BOATING INDUSTRY are not necessarily those of the editors or publisher. Articles appearing in BOATING INDUSTRY may not be reproduced in whole or in part without the express permission of the publisher. Microfilm copies of BOATING INDUSTRY are available from University Microfilms, 300 North Zeeb Road, Ann Arbor, MI 48106. Postmaster: Please send form 3579 to Circulation Department, BOATING INDUSTRY, 6255 Barfield Road, Atlanta, GA 30328.

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BOATING INDUSTRY

# The Boating Business

BOATING INDUSTRY's annual statistical review of the recreational marine industry's market performance in the year just past. The data presented in this report is intended to be used as a tool in decision-making and general business planning in 1989. Some figures are derived from our own nation-wide surveys' other data has been supplied by the National Marine Manufacturers Association (NMMA), the U.S. Coast Guard, the U.S. Chamber of Commerce, and other reliable industry sources. In 1988, the pleasureboating industry experienced an unparalleled sixth year of consecutive growth. Industry confidence in the future remains strong.

## 1988

# *1988 Estimates of the Size of the Recreational Boating Industry*

## ACROSS THE COUNTRY

**PEOPLE:** 72,666,000 American participated in recreational boating in 1988, having used the waterways more than once or twice during the year.

**WATER SKIERS:** Approximately 10,904,000 went water skiing.

**BOATS:** 15,068,000 pleasure craft made their way through U.S. waters. The following is a breakdown by boat type and propulsion. Due to this format, the total of these individual estimates will exceed the total pleasure craft population estimate quoted above.

**OUTBOARD BOATS:** 7,682,000 outboard boats owned in the U.S.

**INBOARD BOATS:** The 495,000 inboard boats owned include auxiliary-powered sailboats.

**SAILBOATS:** 1,260,000 sailboats without inboard power were in use in 1988 on all waters.

**OPEN-DECK BOATS:** An estimated 182,000 deck boats were in use.

**HOUSEBOATS:** 36,500 houseboats were estimated to have been in use.

**INBOARD/OUTDRIVE BOATS:** There were an estimated 1,334,000 inboard/outdrive boats in use at the close of 1988.

**MISCELLANEOUS:** 4,078,500 rowboats, canoes, dinghies, prams and other miscellaneous craft were estimated to have been owned at the end of 1988.

**OUTBOARD MOTORS:** 10,860,000 outboard motors were in use during 1988.

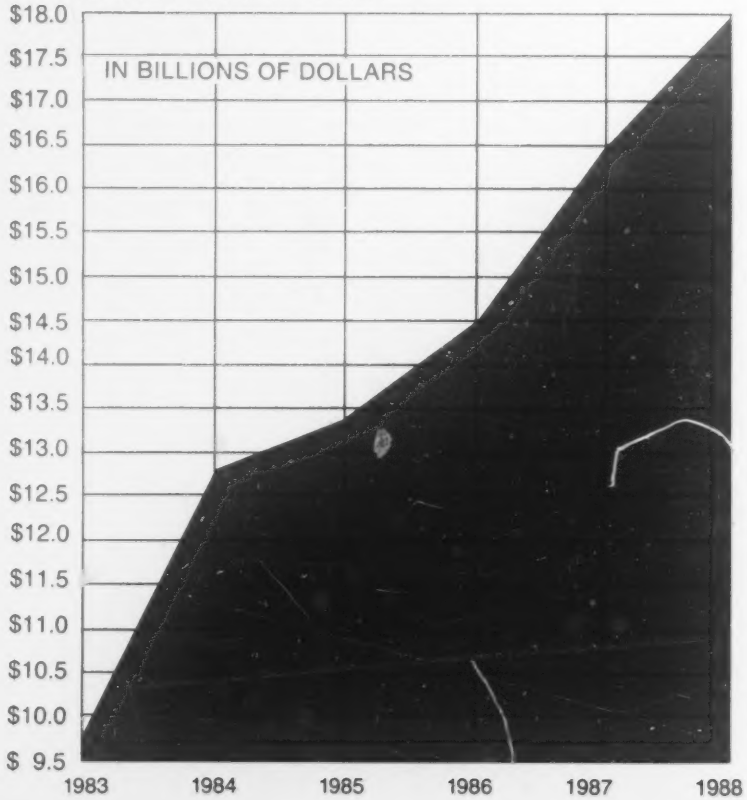
**INBOARD ENGINES:** Approximately 2,266,000 inboard gasoline and diesel engines were owned, including conversions of automotive engines.

**JET DRIVES:** 101,000 jet drives were in use by the end of 1988.

**BOAT TRAILERS:** Approximately 5,710,000 boat trailers were owned in 1988, including those that were both home-made and factory-produced.

**MARINAS:** Approximately 8,320 marinas, boatyards, yacht clubs, dockominiums, and parks served boaters in the United States during 1988.

**SPENT AT THE RETAIL LEVEL**




**1988 SALES ESTIMATES**

Approximately $17,927,000,000 was spent at the retail level for new and used boats, motors and engines, accessories, safety equipment, fuel, insurance, docking, maintenance, launching, storage, repairs, and club memberships.

355,000 outboard boats
20,900 inboard boats
148,000 inboard/outdrive boats
27,800 pontoon boats
34,800 non-powered sailboats (excluding sailboards)
65,000 sailboards
3,320 auxiliary-powered sailboats
89,800 canoes
223,000 boat trailers
460,000 outboard motors
32,200 inflatable boats

# *An Overview of 1988 Boating Highlights*

For the sixth year in a row, the recreational boating industry experienced unprecedented sales gains with 1988 new boat sales up an estimated 8 to 10 percent, unit sales approaching 800,000, and total retail sales activity passing $17 billion. Almost all product sectors did well, and the export market continued the boom it began in 1986 with 1987 figures more than doubling. Power boats continued to lead the industry, but there was a slight increase in smaller sailboat sales while auxiliary-powered sailboat sales remained flat.

Boat and engine manufacturers continued the acquisition and merger trend begun several years ago, and "vertical integration" became the overwhelming buzz-words of market strategists. In the market itself, confusion reigned among dealers and consumers as to how the corporate shuffles would affect competition, service, parts availability, and warranties. OMC, Genmar, and Brunswick were the largest practitioners of vertical integration, but it was also often pointed out that the market is still supplied with up to 75% of its product from independent builders.

As the economy seemingly shrugged off 1987's stock market crash, consumer's disposable income continued its five-year growth burst and expeditures on boating products grew at an even greater rate. The number of financing options grew, interest rates rose and fell within a narrow range, our supply of oil was relatively unaffected by Mid East politics, and future prognosticators point to the fact that some 80 million baby boomers are coming into the prime boat buying ages of 35 to 55.

The presidential election was generally viewed as being non-harmful for boating, but governmental legislation and the possiblity of a luxurary tax still present an ominous spectre over what otherwise appears to be a very healthy industry.

### *A LOOK AT OTHER HAPPENINGS IN THE WORLD OF BOATING*

- Outboard Marine Corporation continued its strategy of acquisitions by adding the Swedish company RYDS, and U.S. companies Hydrasports, Sea Nymph, and Donzi. The corporation also began to open its chain of retail stores called Top of the Dock in selected malls across the country.
- Brunswick kept pace with OMC by acquiring Fisher Marine, the Marine Group (Astroglass, Procraft, and Fabuglas), MonArk Boats, and Starcraft. In the fall, the company proposed a dealer network, seen as a step toward franchising, of about 600 dealers, who would sell at least one of four new powerboat lines.
- Genmar completed its acquisition of Glastron, announced in late 1987, and also added Crestliner and Cajun. The company also entered into supply agreements with OMC and a blockbuster $100 million deal with Volvo.
- Yamaha introduced a new sterndrive system which includes a computer management system, a distributorless ignition system, and multifunction instruments.
- U.S. Marine Power Corp. (Brunswick) introduced a five-cylinder outboard motor and L-Drive it describes as the most technically advanced marine propulsion system on the market. The system is advertised as quieter, less expensive, and more practical than competition.
- The America's Cup was generally regarded as a public relations flop with court-ordered races in two non-competitive yachts.
- However, professional sailboat racing was able to launch several series of races and at year's end both the Ultimate Yacht Race and Salem's ProSail claimed success and promised future races.
- Television covered more boating events than ever before with the America's Cup, the Ultimate Yacht Race, Water skiing tournaments, and hydraplane racing all shown on the tube.
- The New York Times magazine division acquired Sailing World Magazine, giving it a stable companion to previously-acquired Cruising World Magazine.
- The Times Mirror Corporation acquired Saltwater Sportsman Magazine, giving it a stable companion to previously-acquired Yachting Magazine.
- The U.S. Congress reauthorized for five years the Wallop-Breaux Trust Fund which directs about $250 million a year to a variety of state boating safety and fishing projects.

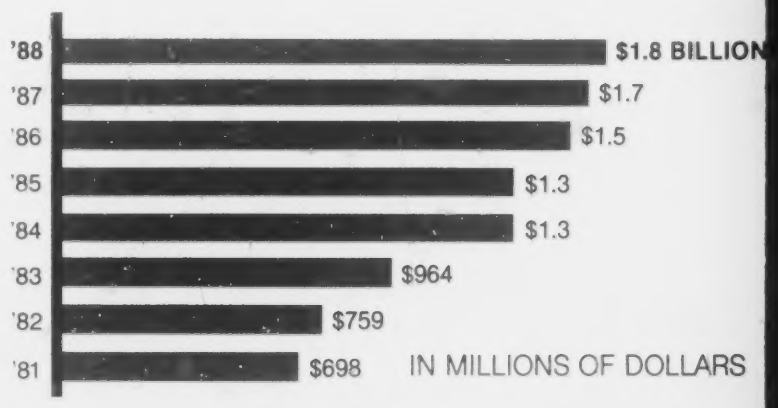
# *Sales of New Outboard Boats, Motors and Inboard/Outdrive Boats*

IN DOLLARS AND UNITS

| | 1986 | 1987 | 1988 |
|---|---|---|---|
| **$3,974 AVERAGE RETAIL COST OF 1988 OUTBOARD MOTOR** | | | |
| Total units sold | 410,000 | 444,000 | 460,000 |
| Retail value | $1,463,700,000 | $1,725,828,000 | $1,828,040,000 |
| Average value | $3,570 | $3,887 | $3,974 |
| **$3,450 AVERAGE RETAIL COST OF 1988 OUTBOARD BOAT** | | | |
| Total units sold | 314,000 | 342,000 | 355,000 |
| Retail value | $834,600,000 | $1,001,003,000 | $1,224,750,000 |
| Average value | $2,658 | $2,927 | $3,450 |
| **$17,464 AVERAGE RETAIL COST OF 1988 INBOARD/OUTDRIVE BOAT** | | | |
| Total units sold | 120,000 | 144,000 | 148,000 |
| Retail value | $1,860,960,000 | $2,450,160,000 | $2,584,672,000 |
| Average value | $15,508 | $17,015 | $17,464 |
| **$940 AVERAGE RETAIL COST OF 1988 TRAILER** | | | |
| Total units sold | 194,000 | 216,000 | 223,000 |
| Retail value | $165,676,000 | $188,568,000 | $209,996,000 |
| Average value | $854 | $873 | $940 |

# *Outboard Motor Sales*

Unit sales of outboard motors increased by 16,000, a jump of 3.6% over the previous year. Dollar gains were strong, with an increase of slightly over $102 million chalked up in '88 — a gain of nearly 6%. Price increases also jumped in '88, with the average retail value escalating 2.2%. Price increases this year, however, weren't nearly as much compared to last year's 8.9% jump. Outboard motors were seen more prominently at the OEM stage in 1988 as boat packaging (boat, motor and trailer) continued to be prove a key marketing strategy for outboard motor manufacturers. More engine rigging was being done at the factory, giving dealers less of a say about what engines to put on boats.

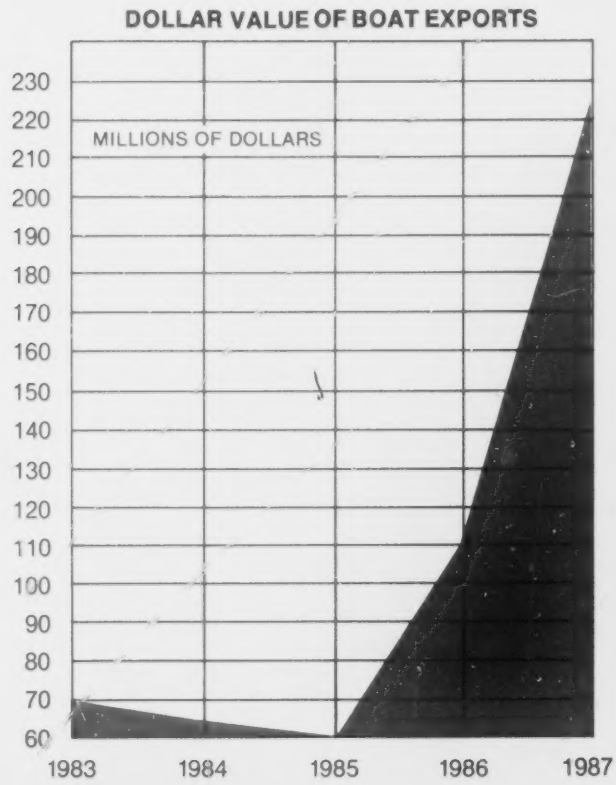


# '87 Exports Double in Dollar Value

In 1987, the export market for American boats boating products soared. In 1988, it doubled.

Exports zoomed to $225 million, a 103% jump from 1987, which had enjoyed an 83% increase from 1986. These two years represent a dramatic change from the previous five years, which had been in a gradual decline.

In terms of dollar volume, the leading market for boats and boating products made in the USA were: Canada ($42M), Japan ($20.2M) Italy ($16.3M), West Germany ($15M), France ($13.3M), United Kingdom ($13.1M), Netherlands ($12.6M), Sweden ($11.1M), Spain ($10.8M) and Norway ($8M).




**DOLLAR VALUE OF BOAT EXPORTS**

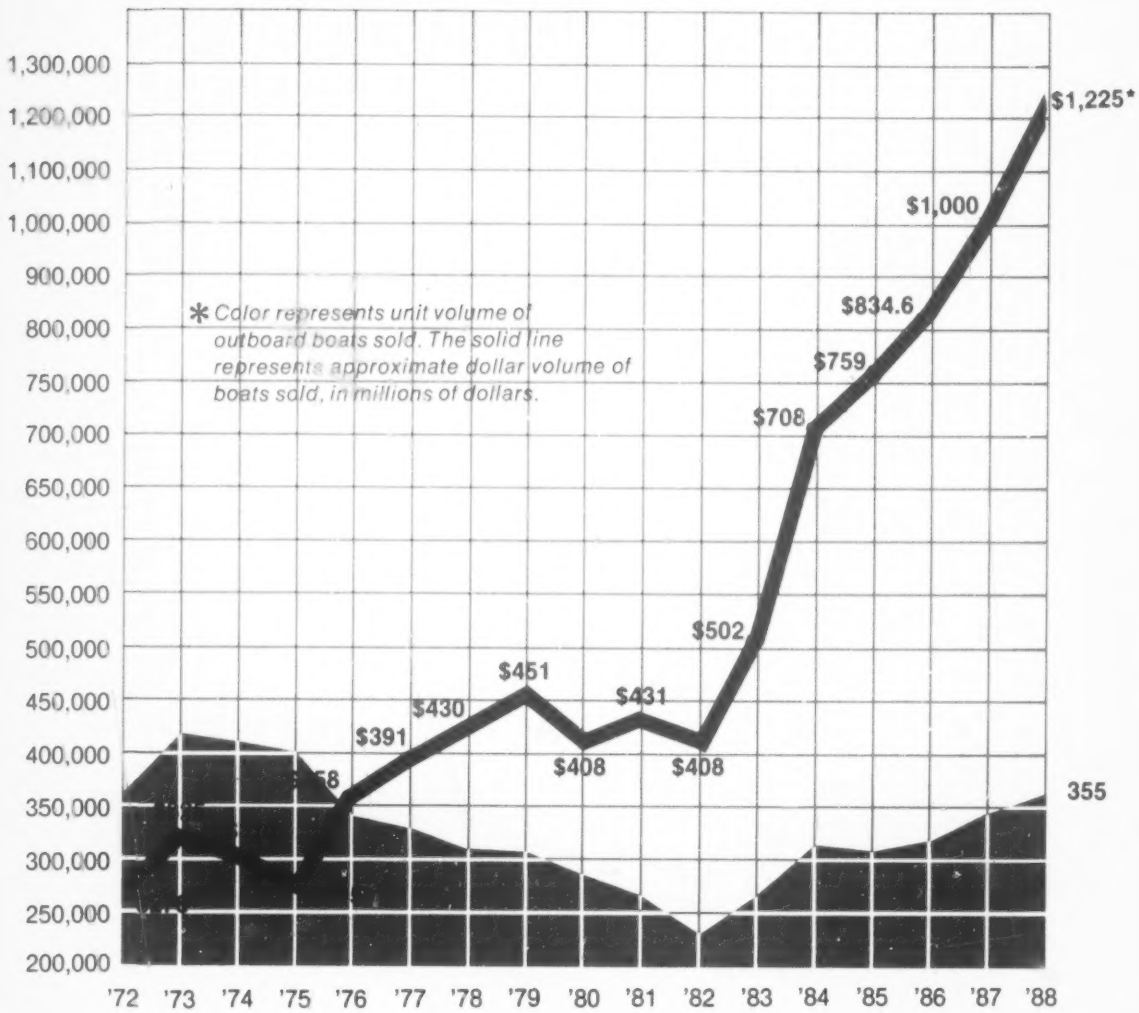
| Year | Value | %Change |
|---|---|---|
| 1987 | $225,436,000 | + 103.1 |
| 1986 | $110,980,000 | + 83.1 |
| 1985 | $ 60,596,000 | – 7.1 |
| 1984 | $ 65,249,000 | – 8.8 |
| 1983 | $ 71,537,000 | – 37 |
| 1982 | $113,661,000 | – 21.7 |
| 1981 | $145,136,693 | – 26.0 |
| 1980 | $154,842,274 | + 8.9 |
| 1979 | $142,148,702 | + 60.2 |
| 1978 | $ 88,724,112 | + 13.2 |
| 1977 | $ 77,983,753 | + 4.8 |

## BEST EXPORT MARKETS

American producers of boats and boating products found the markets listed below to be the most lucrative for their output.

| | |
|---|---|
| Canada | United Kingdom |
| Japan | Netherlands |
| Italy | Sweden |
| West Germany | Spain |
| France | Norway |

# *Outboard Boat Sales Soar Into the Billions*




Outboard boat sales spent its second year nestling in the billions of dollars, the continuation of an exceptionally healthy market. A record $1.2 billion in sales and a total of 355,000 units sold culminated 12 months of record profits for the nation's producers of outboard boats.

The 22.3% increase in dollars and 3.8% rise in unit sales has been powered by several factors. Agressive marketing tactics on the part of boatbuilders who are taking increasingly bold steps to secure market share, and to reinforce their customer base. Also, a major portion of the boating market is the entry-level sector, a large part of which are outboards. In addition, the demand for outboard boats is due to the ever-growing strength of the highly competitive fishing market. An estimated 44 million people go fishing every year in the United States, and it is widely held that two-thirds of the people who buy boats buy them for the principal purpose of going fishing.

# *Average Length of Outboard Boats Spends Fifth Year at 16 Feet*

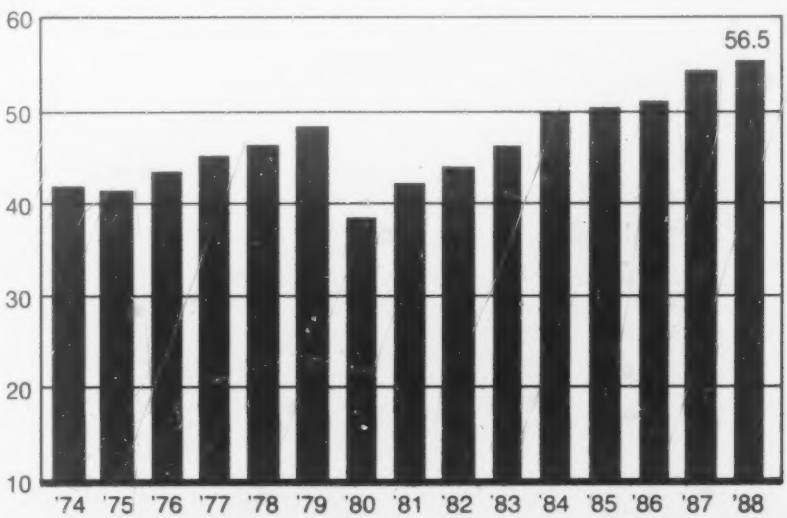
**AVERAGE LENGTH**

| 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 |
|---|---|---|---|---|---|---|---|---|---|
| 16.3 FEET | 15.8 FEET | 15.8 FEET | 15.8 FEET | 15.8 FEET | 16.0 FEET | 16.0 FEET | 16.0 FEET | 16.0 FEET | 16.0 FEET |

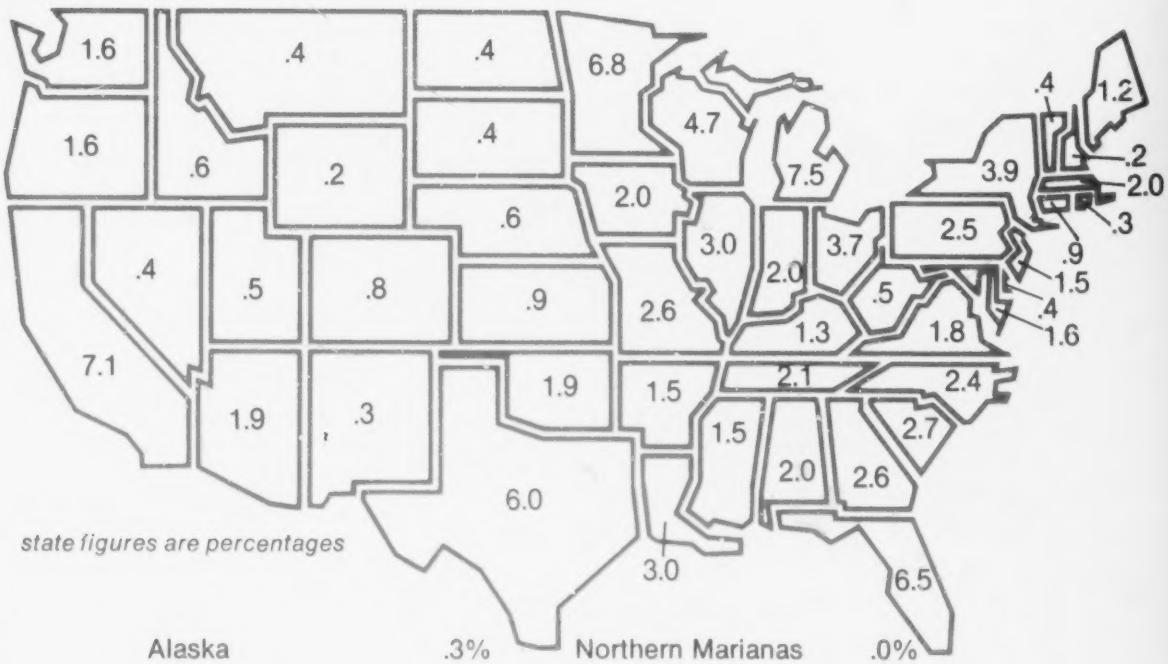
The average length of outboard boats marketed in the United States remained at 16.0 feet for the fifth year in a row. The fact that an ever-growing number of stock boatbuilders are embracing the marketing philosophy which advocates packaging a boat, motor and trailer for the new boat buyer is breathing staying power into the entry level market. The rash of acquisitions and mergers that have occurred in the last two years have enabled many boatbuilders to become more efficient marketers and stronger competitors in the marketplace. Armed with enhanced purchasing power, new budgets, and a stronger support system, builders are pulling out all stops to romance the affluent baby boomers and convince them that pleasure boating is an extension of their lifestyle.

# *Outboard Motor Horsepower Continues to Climb*

In 1988, the average horsepower of outboard motors sold hit 56.5, making this the eighth consecutive year in which average horsepower ratings have edged upward, and defeats '87 as the biggest jump since '84. The trend is in keeping with the performance orientation of today's boating customer, and the increasing power demands of watersports and the competitive fishing market.



# *Distribution of 9,963,696 Registered Boats by State*




*state figures are percentages*

| | | | |
|---|---|---|---|
| Alaska | .3% | Northern Marianas | .0% |
| Hawaii | .1% | Puerto Rico | .25% |
| American Samoa | .0% | Virgin Islands | .04% |
| Guam | .01% | District of Columbia | .03% |

| States | Population (thousands) | Total Registered Boats | % Of Total Registered Boats in the U.S. | One Boat Per () Persons | Sq. Miles Inland Water | Miles of Coastal Shoreline | EFFECTIVE BUYING INCOME Per Capita | Median Household | Total Households (thousands) | Total Households over $20,000 (thousands) |
|---|---|---|---|---|---|---|---|---|---|---|
| **NEW ENGLAND—475,348 Registered Boats 4.77% of U.S. Total** | | | | | | | | | | |
| Connecticut | 3,242.5 | 86,427 | 0.87% | 37.5 | 147 | 618 | 17,696 | 36,361 | 1,187.3 | 880.9 |
| Maine | 1,191.8 | 114,182 | 1.15% | 10.4 | 2,270 | 3,478 | 11,746 | 23,611 | 443.3 | 257.3 |
| Massachusetts | 5,884.1 | 196,541 | 1.97% | 29.9 | 460 | 1,519 | 15,691 | 31,202 | 2,201.1 | 1,499.7 |
| New Hampshire | 1,060.1 | 15,214 | 0.15% | 69.7 | 286 | 131 | 14,501 | 30,469 | 394.7 | 272.6 |
| Rhode Island | 990.0 | 28,500 | 0.29% | 34.7 | 158 | 384 | 13,490 | 27,309 | 363.3 | 230.5 |
| Vermont | 550.3 | 34,484 | 0.35% | 16.0 | 341 | – | 11,741 | 23,540 | 206.1 | 120.0 |
| **MIDDLE ATLANTIC—1,930,592 Registered Boats 19.38% of U.S. Total** | | | | | | | | | | |
| Delaware | 642.5 | 43,121 | 0.43% | 14.9 | 112 | 381 | 13,457 | 27,834 | 231.1 | 148.7 |
| Dist. of Columbia | 623.3 | 2,859 | 0.03% | 218.0 | – | – | 16,908 | 25,704 | 254.5 | 154.6 |
| Georgia | 6,295.2 | 254,483 | 2.55% | 24.7 | 854 | 2,344 | 11,515 | 24,088 | 2,258.7 | 1,315.2 |
| Maryland | 4,562.6 | 160,368 | 1.61% | 28.5 | 623 | 3,190 | 14,693 | 32,466 | 1,653.8 | 1,172.0 |
| New Jersey | 7,728.6 | 150,121 | 1.51% | 51.5 | 319 | 1,792 | 16,628 | 34,021 | 2,828.6 | 2,009.0 |
| New York | 17,964.0 | 383,868 | 3.85% | 46.8 | 1,731 | 1,850 | 15,014 | 28,065 | 6,736.4 | 4,287.8 |
| North Carolina | 6,463.6 | 241,858 | 2.43% | 26.7 | 3,826 | 3,375 | 11,061 | 22,050 | 2,393.0 | 1,306.6 |
| Pennsylvania | 11,973.4 | 251,154 | 2.52% | 47.7 | 420 | 89 | 12,940 | 25,913 | 4,518.8 | 2,786.2 |
| South Carolina | 3,458.4 | 268,034 | 2.69% | 12.9 | 909 | 2,876 | 10,042 | 21,087 | 1,238.7 | 649.5 |
| Virginia | 5,943.2 | 174,726 | 1.75% | 34.0 | 1,063 | 3,315 | 13,584 | 29,061 | 2,111.1 | 1,402.2 |

| States | Population (thousands) | Total Registered Boats | % Of Total Registered Boats in the U.S. | One Boat Per ( ) Persons | Sq. Miles Inland Water | Miles of Coastal Shoreline | EFFECTIVE BUYING INCOME: Per Capita | Median Household | Total Households (thousands) | Total Households over $20,000 (thousands) |
|---|---|---|---|---|---|---|---|---|---|---|
| **GULF COAST—1,900,195 Registered Boats 19.07% of U.S. Total** | | | | | | | | | | |
| Alabama | 4,137.1 | 203,092 | 2.04% | 20.4 | 938 | 607 | 9,907 | 19,636 | 1,522.4 | 749.3 |
| Florida | 12,163.9 | 644,813 | 6.47% | 18.9 | 4,511 | 5,095 | 12,911 | 23,383 | 4,904.1 | 2,800.0 |
| Louisiana | 4,517.8 | 300,931 | 3.02% | 15.0 | 3,230 | 7,721 | 9,999 | 20,968 | 1,567.4 | 823.2 |
| Mississippi | 2,676.2 | 144,989 | 1.46% | 18.5 | 456 | 359 | 8,599 | 17,462 | 930.7 | 411.0 |
| Texas | 16,888.0 | 606,370 | 6.09% | 27.9 | 4,790 | 3,359 | 11,769 | 24,341 | 6,000.9 | 3,506.7 |
| **EAST CENTRAL—787,101 REGISTERED BOATS 7.90% OF U.S. TOTAL** | | | | | | | | | | |
| Arkansas | 2,420.0 | 144,657 | 1.45% | 16.7 | 1,109 | — | 10,142 | 19,347 | 890.3 | 431.5 |
| Kentucky | 3,771.5 | 124,150 | 1.25% | 30.4 | 740 | — | 10,401 | 20,575 | 1,361.3 | 696.5 |
| Missouri | 5,173.6 | 258,712 | 2.60% | 20.0 | 752 | — | 12,202 | 24,169 | 1,910.9 | 1110.4 |
| Tennessee | 4,899.5 | 214,646 | 2.15% | 22.8 | 989 | — | 10,893 | 21,636 | 1,827.6 | 976.4 |
| West Virginia | 1,934.6 | 44,936 | 0.45% | 43.1 | 112 | — | 9,763 | 19,493 | 727.9 | 355.5 |
| **GREAT LAKES—2,749,750 REGISTERED BOATS 27.60% OF U.S. TOTAL** | | | | | | | | | | |
| Illinois | 11,657.6 | 295,127 | 2.96% | 39.5 | 700 | — | 14,115 | 28,975 | 4,292.7 | 2,802.6 |
| Indiana | 5,570.8 | 206,307 | 2.07% | 27.0 | 253 | — | 11,780 | 25,405 | 2,023.6 | 1,238.3 |
| Michigan | 9,262.9 | 746,979 | 7.50% | 12.4 | 1,573 | — | 12,751 | 27,073 | 3,372.1 | 2,123.5 |
| Minnesota | 4,292.3 | 673,503 | 6.76% | 6.4 | 4,854 | — | 13,607 | 27,803 | 1,592.2 | 1,021.8 |
| Ohio | 10,834.9 | 366,289 | 3.68% | 29.6 | 325 | — | 12,501 | 25,829 | 4,064.3 | 2,496.6 |
| Wisconsin | 4,836.6 | 461,545 | 4.63% | 10.5 | 1,727 | — | 12,595 | 26,138 | 1,805.3 | 1,124.8 |
| *Excludes the waters of the adjacent Great Lakes. Area listed in sq. miles: Lake Michigan (22,178); Lake Erie (5,002); Lake Superior (21,118); Lake Huron (8,975) | | | | | | | | | | |
| **WEST COAST—1,021,501 REGISTERED BOATS 10.25% OF U.S. TOTAL** | | | | | | | | | | |
| California | 27,939.0 | 708,847 | 7.11% | 39.4 | 2,407 | 3,427 | 15,248 | 30,537 | 10,223.6 | 6,868.6 |
| Oregon | 2,738.4 | 153,087 | 1.54% | 17.9 | 889 | 1,410 | 11,151 | 22,309 | 1,060.7 | 586.4 |
| Washington | 4,548.9 | 159,567 | 1.60% | 28.5 | 1,627 | 3,026 | 13,650 | 27,225 | 1,778.9 | 1,121.0 |
| **MIDWEST MOUNTAINS—1,027,551 REGISTERED BOATS 10.31% OF U.S. TOTAL** | | | | | | | | | | |
| Arizona | 3,441.1 | 117,202 | 1.18% | 29.4 | 492 | — | 12,118 | 24,275 | 1,312.2 | 772.8 |
| Colorado | 3,346.3 | 79,640 | 0.80% | 42.0 | 496 | — | 13,174 | 26,775 | 1,301.2 | 822.7 |
| Idaho | 1,033.9 | 57,251 | 0.57% | 18.1 | 1,153 | — | 9,932 | 21,506 | 360.4 | 193.3 |
| Iowa | 2,860.7 | 195,673 | 1.96% | 14.6 | 309 | — | 12,123 | 23,277 | 1,102.9 | 628.1 |
| Kansas | 2,495.0 | 88,365 | 0.89% | 28.2 | 499 | — | 13,367 | 25,291 | 946.4 | 572.8 |
| Montana | 832.1 | 37,087 | 0.37% | 22.4 | 1,657 | — | 10,768 | 21,338 | 321.6 | 170.4 |
| Nebraska | 1,616.8 | 56,446 | 0.57% | 28.6 | 711 | — | 12,574 | 23,962 | 609.7 | 345.6 |
| Nevada | 1,026.7 | 37,162 | 0.37% | 27.6 | 667 | — | 13,231 | 25,891 | 420.8 | 260.9 |
| New Mexico | 1,525.0 | 24,974 | 0.25% | 61.1 | 258 | — | 9,929 | 20,382 | 546.7 | 277.9 |
| North Dakota | 694.3 | 36,332 | 0.36% | 19.1 | 1,403 | — | 12,090 | 24,394 | 249.0 | 146.9 |
| Oklahoma | 3,344.4 | 187,043 | 1.88% | 17.9 | 1,301 | — | 10,616 | 20,479 | 1,265.9 | 646.8 |
| South Dakota | 721.9 | 39,257 | 0.39% | 18.4 | 1,164 | — | 11,183 | 20,458 | 267.9 | 136.6 |
| Utah | 1,712.4 | 49,583 | 0.50% | 34.5 | 2,826 | — | 9,739 | 25,441 | 530.9 | 328.6 |
| Wyoming | 500.4 | 21,536 | 0.22% | 23.2 | 820 | — | 11,987 | 26,551 | 185.7 | 116.9 |
| **NON-CONTIGUOUS—71,658 REGISTERED BOATS 0.72% OF U.S. TOTAL** | | | | | | | | | | |
| Alaska | 545.7 | 27,763 | 0.28% | 19.7 | 20,171 | 31,383 | 14,434 | 31,904 | 186.5 | 126.9 |
| Hawaii | 1,088.8 | 14,009 | 0.14% | 77.7 | 46 | 1,052 | 13,486 | 31,272 | 343.8 | 236.4 |
| American Somoa | — | 110 | 0.00% | — | — | — | — | — | — | — |
| Guam | — | 993 | 0.01% | — | — | — | — | — | — | — |
| N. Marianas | — | 145 | 0.00% | — | — | — | — | — | — | — |
| Puerto Rico | — | 25,024 | 0.25% | — | — | — | — | — | — | — |
| Virgin Island | — | 3,614 | 0.04% | — | — | — | — | — | — | — |

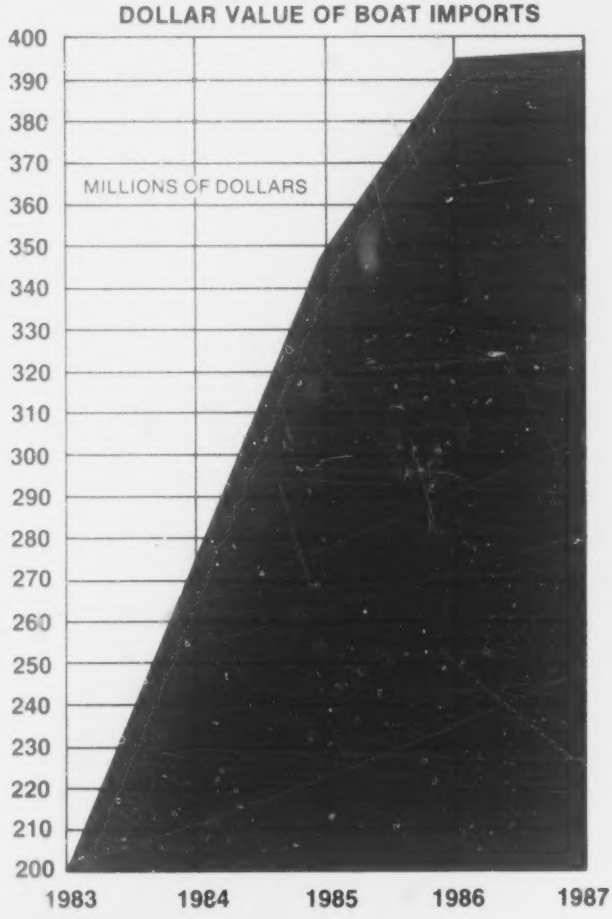
# 1987 Imports Increase Slightly

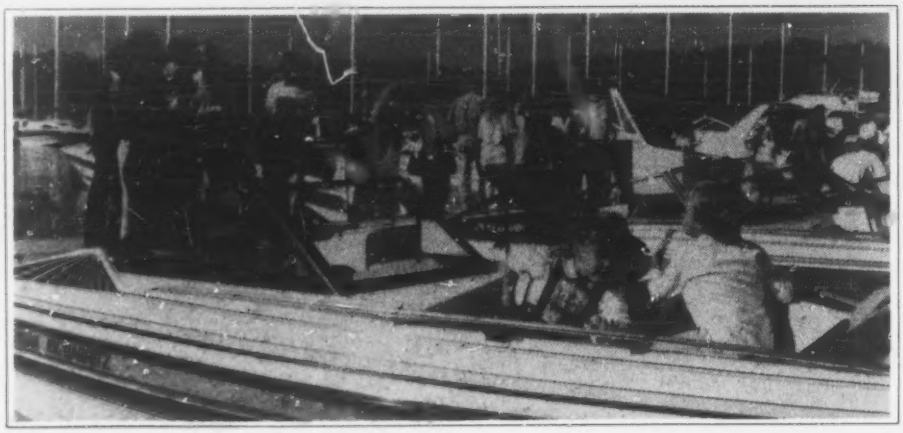
Imports of boats and boating products into the United States increased only slightly in 1987, up only 7.2% compared to increases of 42.2 and 29.6 in 1984 and 1985, respectively. However, import gains were up slightly from 1986's gain of .9%.

The major boat exporters to the United States were Tawain ($154.6M), Canada ($59.6M), Japan ($59.4M), Signapore ($18M), United Kingdom ($18M), France ($16.7M), Hong Kong ($14M), Netherlands ($11.2M), Italy ($9.8M) and Finland ($8.6M).

**DOLLAR VALUE OF BOAT IMPORTS**

| Year | Value | %Change |
|---|---|---|
| 1987 | $397,519,000 | + 7.2 |
| 1986 | $370,890,000 | + .9 |
| 1985 | $367,395,000 | + 29.6 |
| 1984 | $283,519,000 | + 42.2 |
| 1983 | $199,359,000 | + 32 |
| 1982 | $151,225,000 | - 8.2 |
| 1981 | $164,712,949 | + 28.0 |
| 1980 | $128,233,550 | - 4.7 |
| 1979 | $134,541,117 | + 27.3 |
| 1978 | $105,657,112 | + 32.1 |
| 1977 | $ 79,965,379 | + 41.4 |



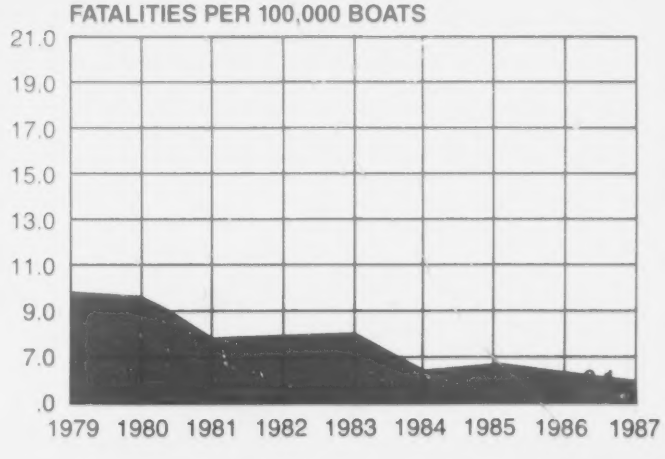
# *Accidents Edge Upward in 1987*

In 1987 the number of boating accidents reported to the Coast Guard rose to 6,746, a 5.3% increase over 1986. This was higher than 1986's 2.8% increase, but an improvement over the 9.6% rise reported in 1985.

| 1984 | 1985 | 1986 | 1987 | |
|---|---|---|---|---|
| 5,700 | 6,237 | 6,407 | 6,746 | Boating accidents reported to the Coast Guard |
| 7,510 | 8,305 | 8,399 | 9,020 | Boats involved in accidents reported to the Coast Guard |
| 1,063 | 1,116 | 1,066 | 1,036 | Lives lost in boating accidents reported to the Coast Guard |
| 2,709 | 2,757 | 2,847 | 3,501 | Persons injured non-fatally in boating accidents reported to the Coast Guard |

# *Fatalities Decline: Death Rate Per 100,000 Boats is 6.1*

The fatality rate per 100,000 boats declined in 1987 to 6.1, lower than the 1986 rate of 6.5. Two-thirds of all fatal boating accidents are caused by capsizing and falls overboard. Recent Coast Guard studies indicate that alcohol consumption is involved in more than half of all boating accidents. Stepped-up public awareness programs related to alcohol and boating, as well as other boating safety campaigns, have been instrumental in bettering the industry's safety record.



# The Average Dealer, 1988

This is the age of mega-dealerships. During 1988, dealers continued to grow both in total dollars in sales made and in the size and sophistication of their facilities. Many moved into multiple locations increasing their costs of doing business dramatically as well as creating added competition in their market area. This made discount selling almost a way of life in many regions.

During the past five years the number of boating retail outlets in the nation has increased by nearly 3,000 or 20%. Starting in the late summer of 1988 a number of dealerships have been forced to close their doors for financial reasons. It appears that this trend will continue during most of 1989 appreciatively reducing the number of retail boating outlets in the nation, possibly by as much as six to eight percent. Inadequate accounting, the skyrocketing cost of doing business, over expansion and excessive competition are the major culprits.

The trend toward packaging boats, motors and trailers continues to create a host of service problems for some dealers while it is a mixed blessing to others. Confusion and concern also exist due to the entry of motor makers into the boat manufacturing area of the industry. Concern and unanswered questions still exist relative to how these crossovers in product lines affect dealer franchises and their long-standing loyalties to certain manufacturers and builders. A major clarification is needed.

During 1989 dealers find themselves continuing to deal with the issue of product liability. Pending legislation in a number of states has eased the situation for some dealers, but only on a spotty basis.

As the '88 model year drew to a close, there was a fair amount of leftover product remaining unsold in the pipeline. This varied from one region or part of the country to another. New boats represented the largest category. There was also substantial used product inventory carried over. These were mainly trade-ins of boats and motors. Early 1989 sales are expected to melt away a good part of this holdover.

Retailers enjoyed an excellent sales season. Sales increases for many dealerships were well above projection. Most manufacturers and builders in the industry operated at or very near capacity and many could not fill all orders received.

At this juncture 1989 appears to be a challenging year for the marine retailers of this country. It is still undetermined what will happen to the economy; however, baring a total collapse (which seems unlikely) pleasure boating should move ahead again in 1989 for a sixth banner year. Perhaps the increases will be less dramatic but it must be remembered that they will be reckoned against five consecutive banner growth years.

Never in the history of marine retailing have the dealers been stronger. They have better facilities, more buying capital and greater business knowhow.

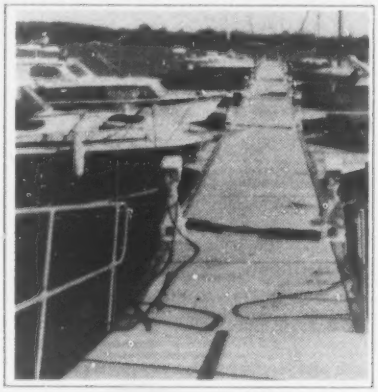
# Marinas and Boatyards, 1988

In most areas of the nation, marinas and boatyards are making money! Slip rates are rising 25-35% (down somewhat from last year's 30-50% increase) with Law of Supply & Demand at work. A few northeast marinas report some empty slips for the first time in decades as their prices reached market level of $100 to $110 per foot for 6 months boating season.

Great Lakes marina development and expansion is booming. Hat's off to the State of Illinois for the 1,411 slip North Point Marina opening next spring. . . it brings New Year cheer to boaters and dealers from Chicago to east Wisconsin. The Caribbean's first 700 slip mega-marina and largest full service boatyard opened on eastern Puerto Rico. . . Saludo to Puerto Del Rey! Meanwhile in San Francisco, public marina managers are complaining about another public marina opening a glut of slips at cheap rates. Still not enough new slips are expected to be built in most states to saturate the market demand over the next decade.

Computerization improved management ability to control losses and up profits. Florida marinas found pampering customer boats very profitable with full valet service of cleaning, waxing, maintenance, etc. The National Dry Stack Marina Conference last February highlighted marina interest to build racks which could potentially more than double the total marina boat storage capacity in the USA.

Dockominium hysteria to convert before "it's too late" calmed down as marina owners realized that state regulators are learning that slip sales do not threaten the public's ability to go boating. A few docko bankruptcies were reported; some huge property tax bills went to converted marinas.



Environmental storm flags are up warning the marina industry to help clean the waters and take corrective action before being forced to. Labor is less a problem since increasing marina income has meant higher pay rates so employees will stay longer. State marine trades associations began establishing educational scholarships to stimulate training; Maine is the first Maritime Academy to offer an associate degree program in boatyard skills and operation. Other conferences and training opportunities are helping build a strong core of marina professionalism.

International Marina Institute estimated that half the total US boating retail money was spent at the waterfront in marinas. Look for Wall Street brokers and conservative pension fund managers to begin moving big money into marinas as the glamour growth investment of the 1990s.

The marina business is going to get very, very interesting in 1989.

# The Water Ski Market

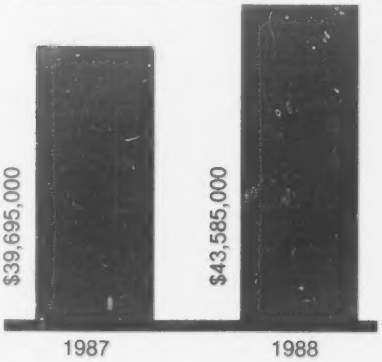
**WATER SKI SALES:** In 1988, 499,000 water skis of all types were sold as compared to 432,400 units in 1987. This represents a gain of 15.4% over the previous year. Total dollar sales in 1988 reached $43,585,000, an increase of 9.8% over 1987 sales, which totaled $39,695,000. The projected increase for 1989 is 8.9%.

**WATER SKI BOATS:** In 1988, 7,736 ski boats were sold, up 28% from last year. Sales of water ski boats totaled $104,216,000, an increase of 25.9% over 1987 sales, which totaled $82,777,000. The projected increase for 1989 is 22.2%.

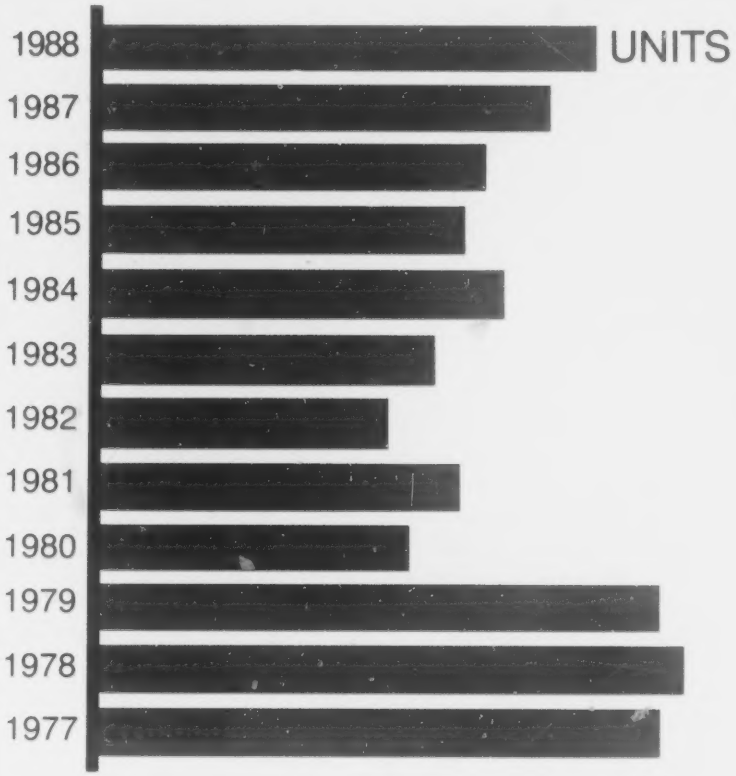
**WATER SKI ACCESSORIES:** Approximately 2,796,000 water ski accessories were sold in 1988, up 13.6% from last year. Total sales equalled $41,730,000, up 24.2% from last year. The projected increase for 1989 is 13.0%.

*Figures tabulated from the Water Ski Industry Association, North Palm Beach, Fla.*

**DOLLAR SALES OF WATER SKIS**

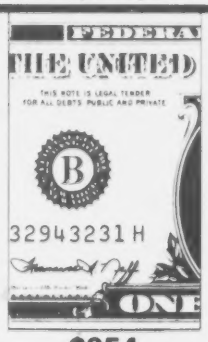
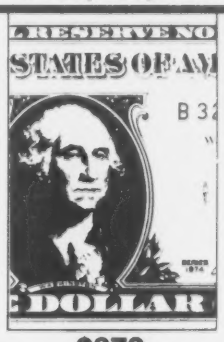


# *Healthy Trailer Business Continues*




Strong trailer business continued in 1988, with a total of 223,000 units sold, the third consecutive year of a steady climb in sales. It was the best showing since 1979, when 276,000 were sold. Sales in '88 represented a unit increase of 3.2% (compared to 11.3% last year); average retail cost climbed 7.7% (compared to only 2.2% last year). The wide proliferation of boat package sales have played a key role in the heightened demand for trailers. With slips becoming increasingly more difficult to find, good, reliable trailers are becoming more and more important to boaters, and the industry is taking notice.

**TOTAL SALES**

| $151,680,000 | $165,676,000 | $188,568,000 | $209,996,000 |
|---|---|---|---|
| |  |  | |
| $790 | $854 | $873 | $940 |
| 1985 | 1986 | 1987 | 1988 |

**AVERAGE RETAIL COST**

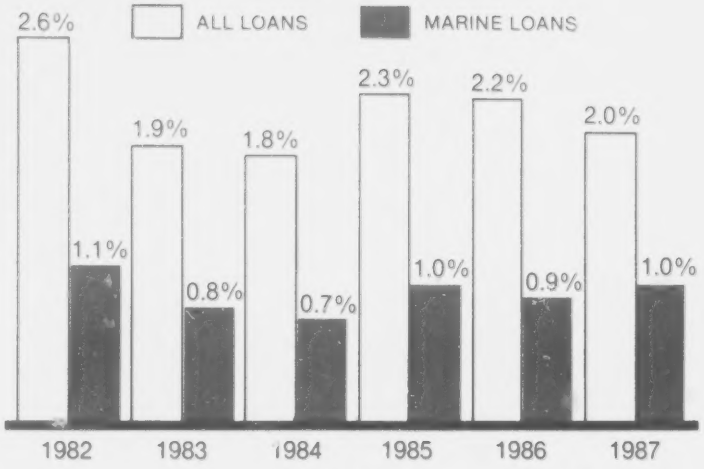
# Financial Marketplace

The nation's recreational marine finance community remains bullish on making boat loans despite upward movements in most interest rates during the second half of 1988. "Borrower fundamentals and developments in underlying funding mechanisms are helping insure a ready reserve of credit for boat buyers in 1989," reports Jacqueline Forese, president of the Chicago-based National Marine Bankers Association who serves as manager of leasing and operations for Grumman Credit Corp. in Bethpage, NY.

Upticks in general interest rates should not overly concern the average individual who wants to finance a boat purchase. With regular installment loans, the longer the loan term — or time to repay — the lower the monthly payment. Most NMBA members will extend three to five-year terms on boat loans of $3,500 to $5,000, five to seven year terms on loans of $5,000 to $10,000, seven to 10 year terms on amounts to $25,000 and 15 years or more on loans exceeding $25,000.

Last years, boat loans became more like real estate loans in their ability to be "sold" in secondary credit markets. Explains Forese, "Many homeowners know that the financial institution which made their mortgage often sells it to investors. This allows the lender to regain the funds to make more loans, among other benefits. The same scenario is now true in the boat loan marketplace, where secondary loan selling gains new funds for lenders. For boat loan borrowers, it helps assure a continued flow of lendable dollars."

**AVERAGE DELINQUENCY**




*Source: National Marine Bankers Assn.*

# Accessories Market Riding High

The marine accessories market this year continued to follow hard on the heels of demand for boats, although at as somewhat slower pace than last year. In 1988, consumers spent an estimated $1,284,665,000 on boat accessories, an increase of 11 percent over 1987. Although this fell short of 1987's whopping 17 percent increase over 1986, it is still a respectable showing.

Powerboats continued to be the primary driver behind this growth. Manufacturers of powerplant accessories and lubricants continued to tailor their product lines, merchandising aids, and stocking programs to make this a lucrative aftermarket. The market for sailboat accessories was much more modest, and several manufacturers re-directed their efforts to powerboats. Nonetheless, new product developments, particularly in sailboat electronics, suggests continued demand here, too. On the whole, sailboat accessory manufacturers were guardedly optimistic on their market. In marine electronics, the integrated circuit continued to revolutionize the capabilities of sets, and big demand centered on the more "intelligent" equipment. At the same time, selling this equipment at the retail level continued to become increasingly complex. Also, as boat-motor-trailer packaging continued to sweep the industry, several boatbuilders have opted to install electronics at the OEM level.

Two factors that may have dampened the growth of the accessories market are inflation—raw material costs have increased substantially—and huge production capacity in the industry, much of it centered on boat-motor-trailer accessories and boats alike.

# *Sailboat Market Remains Steady*

Of all the segments in the boating industry, the only one that suffered, in terms of retail sales, was sailing. Overall, the retail value of boats sold in this segment dropped 18.6 percent. Hardest hit were the large auxiliary-powered units (30 feet and longer). These were off the mark by 24 percent from last year. Figures here are somewhat misleading, the retail cost of sailboats declined in 1988. While dollar amounts were down, there was an actual increase in the number of sailboats sold. 1988 unit sales were up 13.8 percent, and the non-powered sailboats market enjoyed an 18 percent hike in units sold. The industry as a whole remains fairly optimistic, spurred by a stronger-than-usual summer. The America's cup this year concerned itself more with legal implications rather than the sailing sport itself. Publicity gained from the America's Cup was minimal. As a whole, industry spokemen feel that sailing must rid itself of the stereotypical comments that classify sailing as difficult to learn. Manufacturers' models are being built with an "easy to use" concept in mind, attempting to attract newcomers to the sport.

| | 1986 | 1987 | 1988 |
|---|---|---|---|
| **NON-POWERED SAILBOATS, ALL SIZES*** | | | |
| Total units sold | 33,300 | 29,500 | 34,800 |
| Retail value | $88,415,000 | $75,815,000 | $71,444,000 |
| Average retail unit cost | $2,655 | $2,570 | $2,053 |
| **AUXILIARY-POWERED SAILBOATS, 30 FT AND UNDER** | | | |
| Total units sold | 1,100 | 1,100 | 1,000 |
| Retail value | $40,651,000 | $39,329,400 | $35,753,000 |
| Average retail unit cost | $36,956 | $35,754 | $35,753 |
| **AUXILIARY-POWERED SAILBOATS, 30 FT AND OVER** | | | |
| Total units sold | 2,800 | 2,900 | 2,320 |
| Retail value | $236,880,000 | $267,171,000 | $204,132,000 |
| Average retail unit cost | $84,600 | $92,128 | $87,988 |

*DOES NOT INCLUDE SAILBOARDS

PHOTO: DAN NERNEY

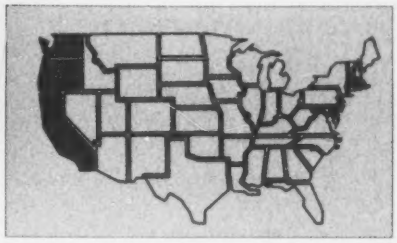
# Dealers of the Pacific States

BY JOHN DE GASPARI

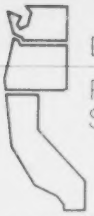
Industry consolidation and increasing competition mean some hard choices—and new opportunities—for West Coast dealers. These may be the common threads in a region of striking diversity.

With this look at boat dealers of the Pacific states, BOATING INDUSTRY completes its regional surveys of dealers of the continental U.S. If there has been one thing that has been brought out from this colorful quilt of dealers that stretches from Maine to southern California and from Seattle to the Florida Keys, it is the unique quality of each business.

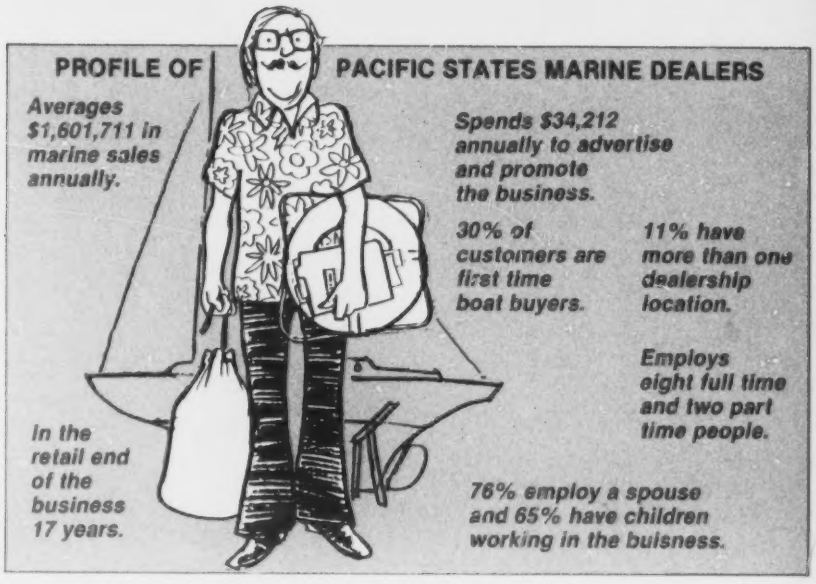
By necessity, we grouped dealers according to broad geographic areas: the Northeast, Great Lakes, Mountain states, and so on; in reality, though, we found that each dealership works within a myriad of local business conditions. Labor quality, business costs, dock space, clientele, and—above all—local competition, often vary greatly, not just from region to region, but from town to town.



On the other hand, some industry trends are undoubtedly acting as common threads in this patchwork. To gauge the impact of one of the most important of these, we queried dealers on the effect that consolidation between boatbuilders and engine manufacturers are having on



## DEALERS OF THE PACIFIC STATES


PROFILE OF PACIFIC STATES MARINE DEALERS
Averages $1,601,711 in marine sales annually.
Spends $34,212 annually to advertise and promote the business.
30% of customers are first time boat buyers.
11% have more than one dealership location.
Employs eight full time and two part time people.
In the retail end of the business 17 years.
76% employ a spouse and 65% have children working in the buisness.

them as retailers.

The enormous differences that characterize the rest of the country are especially evident along the West Coast. The three huge states—California, Oregon, and Washington—that border on the Pacific Ocean between Mexico and Canada are as striking in their diversity as they are in their natural beauty.

The Pacific coast brims over with boating havens, from the magnificent cruising spots around Seattle to the sun-drenched beaches of southern California. Inland, the lake-studded Cascade Mountains and winding Columbia River in the Pacific Northwest; Lake Tahoe and the churning Colorado River in northern and southern California are a few of the many natural wonders that make boating a big business here.

**Over 60 percent of the dealers said that business was better in 1988 than in 1987; 20 percent said it was worse; and 11 percent saw no change.**

Yet there are trade-offs. Among California dealers, mild weather, a long season, plentiful waterways, good population base, and upscale market all rated high on their list of assets. On the downside, they pointed to stiff competition, including heavy discounting; lack of territory protection; and high business costs from rents, labor, and shipping, and government regulations. The visually stunning Pacific Northwest has good market potential, say dealers. On the balance, they must contend with a short season and other difficulties. In Oregon, sparse population, low incomes, and slow economy were named most often; Washington dealers pointed to heavy competition, lack of territory protection, and low profit margins.

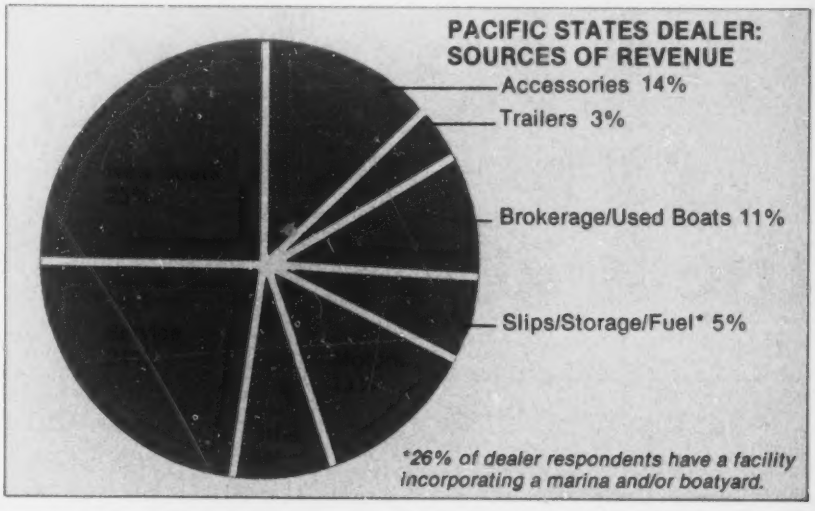
Even so, dealers of the Pacific states are an optimistic lot. Over 60 percent of the dealers said that business was better in 1988 than in 1987; only 20 percent said that it was worse; and 11 percent claimed that it was about the same.

Those who had a better year averaged about 21 percent higher revenues than the year before. Answers why varied almost to the person. The biggest single chunk of dealers pointed to reasons directly related to the economy: lower interest rates, consumer confidence in the economy, and low inflation. The next biggest category had to do with carrying the right product mix: buying smarter, picking up a new boat line, the popularity of inflatables.

Most of those who said that business was worse off blamed their slumps on bad weather or low lake levels. Other reasons cited included mooring shortage, tax reform, and local competition.

More competition was named most often as the biggest change that has occurred to doing business in the Pacific states in the last five to 10 years. One Oregon dealer indicated that there is "more price shopping and price cutting to get the attention of the customer. The marine business is getting more complicated every year with all of the options to choose from."

Speculation varied as to what


PACIFIC STATES DEALER: SOURCES OF REVENUE
Accessories 14%
Trailers 3%
Brokerage/Used Boats 11%
Slips/Storage/Fuel* 5%
*26% of dealer respondents have a facility incorporating a marina and/or boatyard.

fueled this competition. Most dealers pointed to an improved economy; although the availability of low-priced "packages" also rated high, as did an increased consumer interest in boating and watersports.

Interestingly, dealers looked to themselves rather than to the overall economy or environment in singling out the factor that would most influence business success or failure. Good business practices, especially in the form of providing good sales and service and controlling costs, rated high. One dealer pointed to versatility as the key: "When sales are slow, concentrate on service and rentals and vice versa." Having the right product mix and the availability of capital also were put high on their lists.

**BEST SELLERS IN PACIFIC STATES**

**BOATS**

Runabouts
Fishing Boats
Cruisers

**ACCESSORIES**

Electronics
Standard Hardware
Safety Equipment

**POWER OPTIONS**

Outboards
Inboard/Outdrives
Diesels

**LIKELY TO ADD**

Fishing Boats
Personal Watercraft
Packaged Boats

**One Sacramento dealer complained that dealers in his area are going to massive volume sales, low profit margins, and are providing little service.**

Dealers differed greatly on the quality and supply of labor. In Washington, they painted a fairly favorable labor picture. In the Pacific Northwest, wages were generally said to be moderate. Dealers in both Oregon and Washington said that there was a shortage of qualified people, especially mechanics. One small Washington dealer complained that the short season made it hard to train and hold on to help.

The biggest difference between California and its neighboring states to the north was pay scale; nearly two-thirds of dealers said that wages were very high. One Long Beach, CA dealer said that although there was plenty of labor available, pay was exorbitant: $42 per hour for mechanics and $70 per hour for electronics technicians.

Still, several California dealers pointed out that it was necessary to pay top dollar for qualified mechanics. A few pointed out that marine mechanics were paid less than those in the automobile industry, and that quality and availability often suffers because of low wages.

Marie Schock, owner of Schock Boats in Newport Beach, CA, between San Diego and Los Angeles, said that although labor is available, the high cost of living is driving people inland. "People are moving inland where it is cheaper," explained Schock, who is located on the coast. "And they don't want to commute to work."

A large labor pool and high wages are not enough to guarantee qualified help. Schock, for example, recently advertised for mechanics, and found only two she felt were qualified out of a total of 25 who responded to the ad. She echoes many dealers up and down the Pacific coast in saying that there is a need for technical training programs in the marine industry. She, for one, requires her mechanics to attend a service school.

One Sacramento, CA dealer complained that dealers in that area are going to massive volume sales, low profit margins, and are providing little or no service. "Low profit margins cause dealers to cut back in parts and service. Sales are great, parts and service very sorry. The average stay for mechanics in the Sacramento area is two to three years."

Industry consolidation between boatbuilders and engine manufacturers generated strongest opinions among dealers. Sixty percent of those who answered the question came down either for or against, or said that it was forcing them to rethink their product line. The remaining 40 percent either said that it was too new to call, or it has not affected business.

Of the first group, 35 percent said that they were uncomfortable with the trend. Reasons varied, with the largest number saying that it limited the options available to the consumer. Other opinions included: it may dilute territory protection; it reduces the dealer's influence with the manufacturer and gives him more requirements to meet; it favors large dealers over small shops; and overequipped boats may take away from aftermarket sales.

One Oregon dealer wrote: "Boat lines we don't have are being packaged with power we had some protection on. The lines of boats we do carry are independently owned. We have a dealer next door who sells packaged boats with OMC outboards, but does not service them; so the warranty comes to us, but not the profit from the boat and motor sale." Another dealer said that it will force him to take on a motor line that he normally does not stock, "which means new inventory and added mechanical qualifications to obtain."

Marie Schock remarked that monopoly is never a benefit to the consumer. "We don't handle pre-packaged boats. We would rather have the option of rigging the boat and giving the customer the option of putting what he wants on the boat," she said, although she admitted that, as a dealer, she would probably make more money selling prepackaged boats.

In comparison, 13 percent came down in favor of pre-packaging at the manufacturer. These dealers said that it would make packaging boats easier, sales simpler, and will enable them to sell more units. Even some dealers who expressed mixed feelings on the trend said that these companies helped open up the market. Tom Reid, owner of Western Oregon Marine in Portland, credited Bayliner's marketing technique. Reid, who is not a Bayliner dealer, called the company a big factor in the Northwest and all over

## DEALERS OF THE PACIFIC STATES

the country. "It did a big service to the industry by bringing in the entry level buyer."

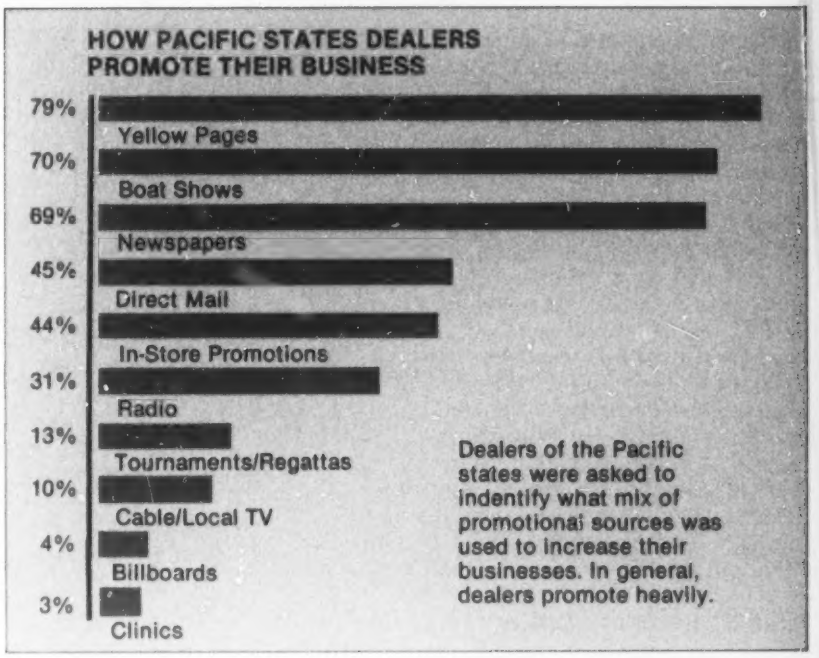
Several dealers pointed out that consolidation and pre-packaging would not encroach upon the smaller markets dominated by regional boatbuilders. Jerry Thomas, owner of Skagitt Marine, about 60 miles north of Seattle, WA, sells the Olympic boat line, a small regional builder of cuddys and runabouts. He said that his ability to customize locally built boats enables him to be competitive against two giant dealerships in his area.

Nevertheless, many dealers are feeling pressure to pick up a pre-packaged line. Tom Reid of Western Oregon Marine, for one, recently signed on with Sunbird, OMC's entry-level pre-packaged brand. His other lines include Marlin, Mirage, a higher-priced boat manufactured in the Northwest market, and Elmer, a whitewater boat.

He's not alone. Over 10 percent of the dealers said thay were at least rethinking their boat lines, and several said that they would pick up a pre-packaged line, if they hadn't done so already.

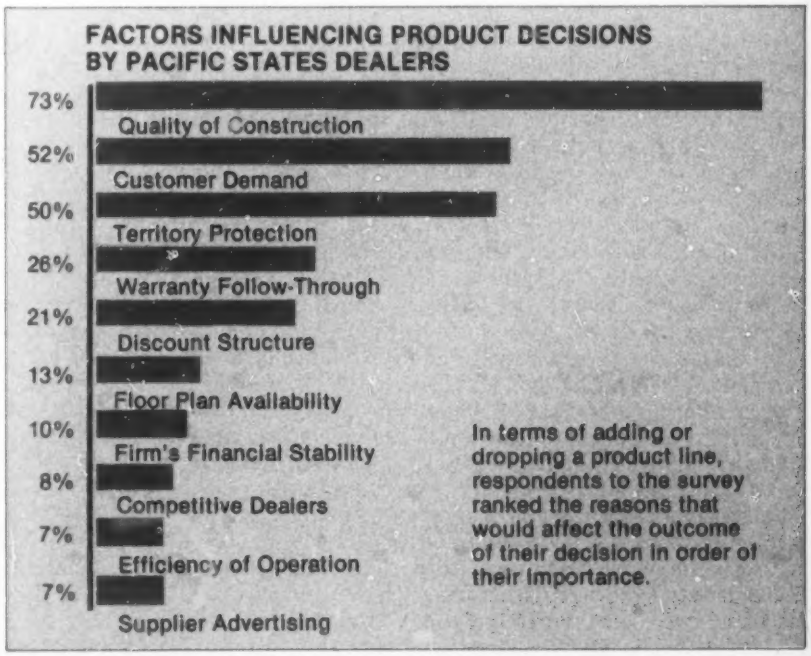
Several dealers said that the consolidation between boat and engine manufacturers is logical and even inevitable. Skagitt Marine's Jerry Thomas, for one, said that the number of motor imports are forcing U.S. engine manufacturers into buying boat lines, in order to guarantee their markets.

Most dealers said that pre-packaging is decreasing the value of the outboard motor "franchise." Dan Feil, of Bob Feil Boats & Motors, a Bayliner dealer in central Washington state, said: "By having the boats come in as packages, your market for your larger motors is much smaller. Our demand for anything larger than a 15 hp is practically gone." He predicts that the average dealers won't sell more than a half dozen replacements or specialty type outboards a year.


HOW PACIFIC STATES DEALERS PROMOTE THEIR BUSINESS
79% Yellow Pages
70% Boat Shows
69% Newspapers
45% Direct Mail
44% In-Store Promotions
31% Radio
13% Tournaments/Regattas
10% Cable/Local TV
4% Billboards
3% Clinics
Dealers of the Pacific states were asked to indentify what mix of promotional sources was used to increase their businesses. In general, dealers promote heavily.

To be sure, not all dealers were comfortable with the consolidation taking place in the industry, even though it is undoubtedly creating new opportunities for retailers. Not surprisingly, several called for dealer friendly selling agreements or more territory protection and loyalty among manufacturers.

Others lament that the boating business is getting more like the auto industry. One said: "The boating industry is not the same as the car industry in that we are a recreation business and not a necessity. Let's cut out the deals at the supplier level and price merchandise realistically to start with. Let's get market protection back and make this industry proud once again." □


FACTORS INFLUENCING PRODUCT DECISIONS BY PACIFIC STATES DEALERS
73% Quality of Construction
52% Customer Demand
50% Territory Protection
26% Warranty Follow-Through
21% Discount Structure
13% Floor Plan Availability
10% Firm's Financial Stability
8% Competitive Dealers
7% Efficiency of Operation
7% Supplier Advertising
In terms of adding or dropping a product line, respondents to the survey ranked the reasons that would affect the outcome of their decision in order of their importance.

CLOSEUP

# Boating Means Business in the Golden State

PHOTO: TMI GROWTH PROPERTIES/© 1988 ED HOFFMAN

***Marinas, such as this one in Redwood City, Calif., benefit local economies.***

Just how big is the boating industry on the West Coast? Some idea of its impact can be gained from an economic study prepared for the California Department of Boating and Waterways by David M. Dornbusch & Co. of San Francisco.

The 89-page report, *Economic Impact of the Boating Industry in California*, which was released in April of 1988, suggests that boating's economic clout in the Golden State is formidable indeed. The report is divided into three basic parts. It evaluates the impact of boating on California's economy; it uses case studies of four marinas to gauge their impacts on local economies; and analyzes the impact on a local economy of a hypothetical 500-berth marina.

The report examines 5,035 boating businesses throughout California. In 1986, these businesses had total gross receipts of $2.6 billion, employed 40,000 people, and paid $476 million in payroll. The study says that southern California accounted for about 53 percent of this activity.

That's only part of the story. The study also finds that boater spending supports a wide range of businesses. During the same year, recreational boaters spent an estimated 56 million days on the water and made purchases of about $1.6 billion on boating trip-related items such as gasoline, groceries, and lodging. Boating businesses and other commercial activities supporting recreational boaters paid more than $191 million in state and local taxes during 1986.

Counting all businesses that support the boating industry in California, the study said that the total economic activity traceable to boating reached $6.7 billion in 1986. More than $1.9 billion was paid in wages and salaries, and more than 118,000 people were employed directly or indirectly in support of California's boating.

The report provided an example to show what a typical marina would have on a local economy. The hypothetical marina used included: 500 berths averaging 30 feet in length; parking for 300 vehicles; a two-lane launching ramp; a harbormaster's office; restroom buildings; and landscaping, lighting and slope protection. In addition, it was given a full range of commercial services usually found in larger California marinas: restaurant; yacht club; boatyard; chandlery; boat dealer; bait and tackle shop; coffee shop; and charter fishing boat.

The study found that construction costs for such a marina would reach $6.4 million for basic facilities, excluding expenditures for land, breakwaters or new roads. The commercial services would cost an additional $2.8 million to build.

The direct local economic impact of such a marina, stemming from its operating budget, business activity by lessees, and from additional boater spending, would total $4.9 million annually, said the report. This in turn would result in total direct and indirect economic impacts of from $5.8 million to $9.1 million. Total employment and earnings would account for $2.8 million to $3.8 million, and represent from 190 to 240 jobs. This level of activity would produce about $170,000 in annual city and county tax revenues.

The recreational marine industry has grown substantially in the last decade. A comparison with the last inventory of the California boating business, taken in 1976, showed that there was a 20 percent increase in the number of boating businesses in the intervening 11 years.

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BOATING INDUSTRY®

THE MANAGEMENT MAGAZINE OF THE BOATING INDUSTRY

FEBRUARY 1989

# SIXTIETH ANNIVERSARY ISSUE

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***60th Anniversary Dealers Survey***

***Do They Build Them Like They Used To?***

***The Changing Face Of Marine Advertising***

***Profile Of The Industry In The Year 2049***

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***Celebrating 60 years as the marine industry's leading management magazine.***

COVER BY GEORGE BOUNDAS

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Address _____
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Phone ( ) _____
Boat Franchise _____ Size/Ft _____
Engine Franchise _____ OMC _____ MERC _____ Other _____
Primary Distributors 1 _____ 2 _____
Sales Volume in Accessories _____ under $10,000 _____ $50,000 to $100,000
_____ $100,000 or over

**BOATING INDUSTRY, INC.**
INCORPORATING MARINE BUSINESS
390 Fifth Ave., NY, NY 10018
(212) 613-9700

CHARLES A. JONES, *publisher/editor-in-chief*
CAROL FLEMING, *director sales administration*
CAROL REILLY, *advertising coordinator*

**Business Staff/Atlanta**
MARIA BENNETT, *managing circulation director*
MARTIN E. GREENE, *production director*
BRENT C. MORITZ, *associate production director*
BRET D. THOMPSON, *production manager*
NANCY HICKS, *promotion director*
CHARLOTTE SOUTTER, *promotion manager*
BRIAN BUXTON, *art director*
*6255 Barfield Rd.*
*Atlanta, GA 30328*
*(404) 256-9800*

**DISTRICT SALES OFFICES**
**Northeast**
JEAN TIGHE, *district manager*
BARBARA ROSENBLUM, *manager / special sales*
*390 Fifth Avenue*
*New York, NY 10018*
*(212) 613-9700*

**Southeast**
SUSAN LIFSHEY, *district manager*
5310 NW 33rd Ave., Suite 118
Fort Lauderdale, FL 33309-6319
(305) 739-3700

**Midwest**
LYLE HURD, *district manager*
KATHERINE HURD
DANA SHAUT
Hurd & Associates
333 N. Michigan Ave.
Chicago, IL 60601
(312) 726-6464

**West Coast**
CHARLOTTE BASS, *president*
JOY LYN OLESON, *media developer*
JULIE COBB, *media developer*
The Longshore Group, Inc.
6830 LaJolla Blvd., Suite 203B
La Jolla, CA 92037
(619) 459-3234

**Southwest**
SPENCER H. LONGSHORE, III, *president*
RITA LANIER, *media developer*
The Longshore Group, Inc.
603 Martha St.
Montgomery, AL 36104
(205) 263-6050

**Canada**
DONALD C. FENN, JOHN MAGNER
Fenn Company Incorporated
P.O. Box 1060
148 King Road East
King City, Ontario LOG 1K0
(416) 833-6200

**Europe**
NICK HOPKINSON, ELFI FISCHER
Boating Communications, Ltd.
1 St. Johns Ct., St. Johns St., Farncombe
Surrey GU7 3BA
England Tel: (44 4868)25817 Telex 265871 MONREFG
(quote SQQ171 on 1st line)
Fax (44 483) 426235

BOATING INDUSTRY (ISSN 0006-5404) is published monthly by Communication Channels, Inc., Jerrold France, President, Buford Bryant, Treasurer, Lawrence Moores, Executive Vice President. Corporate offices at 6255 Barfield Road, Atlanta, GA 30328. Telephone 404-256-9800. BOATING INDUSTRY is a registered trademark of Communication Channels, Inc. © 1989 by Communication Channels, Inc. Second class postage paid at Atlanta, GA and at additional mailing offices. Subscription rates: U.S.A. one year $22, additional $20 for postage outside the U.S. January issue $5.00; Buyers' Guide $27.95; other issues $4.00. Address all subscription mail to Circulation Department, BOATING INDUSTRY, 6255 Barfield Road, Atlanta, GA 30328. The opinions expressed by authors and contributors to BOATING INDUSTRY are not necessarily those of the editors or publisher. Articles appearing in BOATING INDUSTRY may not be reproduced in whole or in part without the express permission of the publisher. Microfilm copies of BOATING INDUSTRY are available from University Microfilms, 300 North Zeeb Road, Ann Arbor, MI 48106. Postmaster: Please send form 3579 to Circulation Department, BOATING INDUSTRY, 6255 Barfield Road, Atlanta, GA 30328.

NMRA ABP BPA NMMA

# Dealer Survey: The Years Behind and Ahead

Dealers discuss what the marine business means to them—
—for better or for worse. Some question if the industry
will still hold a place for the small entrepreneur.

As BOATING INDUSTRY embarks on its 60th year of publishing, we will take a sweeping look back at the marine business as it evolved from its infancy to the multi-faceted, fast-paced, and rapidly changing industry it is today. Indeed, the marine industry has come a long way since its earliest days, when fledgling entrepreneurs often tinkered with outboards in their garages; to them, the "business" was frequently an avocation driven by their sheer love for boating.

One way to take a look at the most dramatic changes that have taken place in the industry is to poll marine dealers. To form a profile of the industry as it was—and is—we contacted a representative group of dealers from each state. Those who responded have spent varying lengths of time in the business, from just a few years to over four decades.

They offered their reasons for getting into the boating business, gave opinions on the most positive and negative aspects of the industry, and revealed how it has changed most since they opened their doors for the first time. They also cast votes for the most significant product categories over the years, where they derive their profits, and labor quality. Others offered some surprisingly strong opinions about where the industry is headed in the future.

## "Fun and Profit"

Boat dealers that we queried spent an average of 17 years in the business. In an industry characterized by diversity, many have at least one thing in common: nearly half—47 percent—singled out an affection for the boating lifestyle as their biggest reason for getting into the marine business in the first place. Many regarded it as a good way of combining fun and profit. One 30-year veteran dealer in Ohio said he "personally enjoyed it, saw a need for a dealer, and saw profit could be made and fun at the same time." Others saw it as an opportunity to operate an independent business.

Yet their answers also suggested that the industry has changed, and the initial rosy preconceptions did not last for many. A good portion—43 percent—said that their original reasons for starting a marine business would still be valid for getting into it today. But a slightly larger number, 48 percent, replied that they would not. Almost 10 percent said that those original motives might still hold true, but with some qualifications. Reasons for the change of mind varied, from saturation of local markets with product to weakness of the sailboat segment. One dealer lamented that the "profit and fun" principle would not, for him, hold true today, but added that a dealer's basic enjoyment of boating is still necessary to make a business work.

In a way, dealers were also posing a key question about the marine industry itself: Is there still a place in the boating business for the small retail entrepreneur, or has the "mom & pop" shop gone the way of the village blacksmith?

BY JOHN DE GASPARI

## A Changing Business

As the industry grows, many dealers are undoubtedly benefitting from some of the changes that have taken place over the years. When asked what was the most positive aspect of doing business today compared to when they started out, the largest number of dealers pointed to the benefits of a healthy economy: ready financing and increased buying power of consumers. A bigger range of products and satisfied customer clientele also rated high.

Yet marine retailing is clearly getting to be a tougher business for many to conduct. In fact, about 15 percent could list *no* positive aspect. One third-generation dealer from Illinois said: "In 32 years we've been through many many ups and downs—but what's happening today in tne marine industry seems very bleak indeed." He expressed some doubt as to whether there would continue to be a place in the industry for the small dealer.

Discounting and small profit margins were named by about 20 percent of the dealers as the most negative aspect of doing business to-

day. One dealer complained that "discounts and catalogs hurt service shops. There's more competition with dealers who are less trained at service today. You must have service, and the manufacturer needs to police this better." An equal number was critical of manufacturers, particularly for saturating their local market with product.

Many dealers are being squeezed from both ends—from low profit margins on one hand and high overhead on the other. Rising business costs—often from insurance—was named about 12 percent of the time.

Vertical integration between engine manufacturers and boatbuilders, and the emphasis on boat packaging—for better or for worse—were voted as the most significant changes to take place in the industry since being in business. Retailers also indicated that the business is becoming more impersonal. According to one Macon, Ga. dealer with 40 years in the trade: "I think the biggest change is, for many years I was 'Good Ole Emory,' and now I'm a number. Sales reps are under so much pressure that they have no time to kick off their shoes and relax with a dealer." And another, Salt Lake City dealer with 42 years in the business observed that the camaraderie once found in the industry is gradually disappearing: "In incipient stages, the marine business was a fellowship of sportsmen; now it has become a more high pressure business, like the auto business—yuppified."

More emphasis on volume and discounting from competitors were named by about 10 percent of the dealers as the biggest change in doing business. Another 10 percent of the dealers named the availability of boat financing as the biggest difference from when they started.

Several dealers also indicated a decline in the sailboat market, and have consequently placed more emphasis on power. One New Jersey dealer wrote that in 10 years his product mix has changed from 95 percent sail to over 90 percent power today. Another dealer in Vermont said that the backlog of demand for sailboats has been exhausted; the potential new boat buyers perceive the industry as being too technical. He sees his customers as getting older. As a way of attracting new blood, he urges that sailboats include a sailing course to raise buyers' skills to the potential of the boats.

**"In incipient stages, the marine business was a fellowship of sportsmen; now it has become a more high pressure business, like the auto business."**

For most other dealers, though, the customer mix is getting younger. Retailers who said that they were selling to more inexperienced or first-time buyers outnumbered those who were selling to older boaters by 3 to 1. Even so, the largest number, about 20 percent of dealers, said that their customers are becoming more sophisticated in their product knowledge—and more demanding.

About an equal number are seeing less loyalty among their clientele, and a tendency to shop on the basis of price. One Illinois dealer of 32 years complained: "Now *everything* boils down to price. In eight hours time they can shop 15 or more dealers and most aren't concerned about service until they need it."

Has the way of selling boats changed for most dealers? Several retailers have stuck to their time tested selling approach, although over one-third say that they have become more aggressive in several areas. These include educating the buyer, promoting harder, offering full service, knowing the product, or simply being "more professional." One in five dealers mentioned financing as playing an increasingly prominent role in sales. A Missouri dealer with 15 years in the trade says that selling "has to be more professionally approached. Many dealers make their mark-up on F&I. We still take our customer to the water although we are not on the water. We are not as casual in our approach, though we are far from pressure selling." In addition, packaging was named by about 14 per-

**Some of the dealers worry that the industry is placing too much emphasis on volume sales, and is favoring mega-dealers over small shops.**

PHOTO, BOUNDAS

cent of the dealers as having an impact on how boats are marketed.

On the other hand, about two-thirds of the dealers said the availability of qualified labor has declined since they have been in business, or is poor. About 12 percent stated it has remained the same. A little less than one-quarter responded that labor quality has improved. One Texas dealer said: "My service people go to at least two service schools per year in order to stay on top of all the changes in product. The days of the 'shade tree mechanic' are over."

### Breakthrough Products

Considering the steady growth in powerboat sales, it isn't surprising that about one-third of the dealers replied that engine propulsion systems is the number one product category that has contributed most to the overall popularity of boating. Dealers were about evenly split between I/Os and outboards. About 16 percent singled out fishing boats as having contributed the most to industry growth. Pontoon boats and small runabouts were also mentioned. Styling and comfort as well as boat packages were also said to be important to boating's appeal.

In general, dealers indicated that demand is for larger boats in both power and sail, more powerful engines, and more specialized boats. Electronics equipment was named most often as the biggest-selling accessory.

### Growing Pains

It is possible that the changes taking place in the industry—especially vertical integration and packaging—presents opportunities and benefits for dealers. But it also raises some troubling questions for smaller shops.

One concern is heavy discounting by competitors. One South Dakota dealer who called his profit range poor despite good increases in volume asked: "Has anyone thought about the law of diminishing returns, or how volume low ball boat builders will find themselves, competing with their own used boat market?"

The problem is exacerbated by high overhead costs. Said one Missouri dealer, "For many years we had a 25 percent growth annually, then 15 percent, now 10 percent. Profits are down; competition is tough. We are quality oriented and sell only good product. . .Increases in all overhead costs make a good profit difficult."

Other dealers mentioned that there is a need for more customer service in the industry. More than one dealer said that lack of service is hurting the industry. According to a dealer in Wisconsin: "I personally feel that packaging by the majors and procurement of boat manufacturers by engine companies is going to be a future very serious problem for small and medium sized dealers such as I. Unless majors also set up servicing centers, they will bring about a rejection of the entire sport by many first time buyers." An Ohio dealer asked, "Where's servicing the customer going? We're selling 'em like cars but sure not servicing and warrantying 'em like cars. Now lets franchise like car dealers. . ." A number of other dealers called for better territory protection and stronger dealer agreements.

On the other hand, the power market continues to enjoy phenomenal mass appeal—something that the sailboat market could use more of. Most sailboat dealers who responded to the survey are seeing relatively few entry-level customers. One New York area dealer who sells entry level daysailers, pocket cruisers, and high performance catamarans, as well as runs a sailing school and rentals, said that no categories have increased in profit margins. He added that the sail industry needs to "make a concerted effort to change the image of the so-called 'yachtsman' in the eye of the public."

As dealers look to the 1990s, they may find new challanges, more opportunities, and vastly different game rules to play by. □

#### FASTEST GROWING PROFIT CENTERS IN DEALERSHIPS

Dealers were asked to name the profit center that has grown most since they started business.

| | |
|---|---|
| 31% | Service |
| 20% | New Boats & Motors |
| 20% | F&I |
| 16% | Accessories |
| 9% | Used Boats |
| 4% | Other |

#### PRODUCT CATEGORIES WITH BIGGEST GROWTH IN PROFITS

Dealers were asked to name the product categories that have grown most dramatically since they started business.

| | |
|---|---|
| 20% | Boats |
| 9% | Outboards |
| 9% | Lubricants & Power Accessories |
| 9% | Electronics |
| 7% | Personal Water Vehicles |
| 6% | Hardware |
| 6% | Safety Equipment |
| 5% | Water Skis |
| 4% | Coatings |
| 4% | Trailers |